



South Dakota

Benefits From Exports

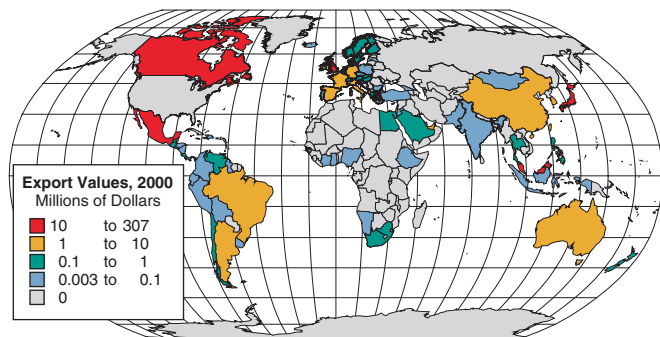
Despite the small size of its manufacturing sector, South Dakota's export sales of merchandise expanded from \$214 million in 1993 to \$497 million in 2000, a 133 percent increase that was roughly double the 68 percent rise in total U.S. merchandise exports. Over the 1993–2000 period, South Dakota ranked fourth among all 50 states in terms of percentage growth in exports.

Trends in per capita exports also underscore the increasing importance of foreign markets to South Dakota. In 1993, merchandise exports amounted to \$298 for every South Dakota resident. By 2000, exports on a per capita basis had grown to \$659—a 121 percent gain and more than double the national increase of 57 percent. During this time, South Dakota ranked third among all states in terms of per capita export growth.

South Dakota exported globally to 96 foreign markets in 2000. Buoyed by the North American Free Trade Agreement (NAFTA), the state's leading markets are Canada and Mexico. Together, the two NAFTA nations claimed a 75 percent share of South Dakota's 2000 exports, up from 41 percent in 1997.

SOUTH DAKOTA EXPORTED GOODS WORTH \$497 MILLION TO 96 FOREIGN MARKETS IN 2000

Dollar Value of South Dakota's Merchandise Exports to Foreign Markets, 2000



Source: U.S. Department of Commerce, Exporter Location Series.

Canada is by far South Dakota's top market, accounting for \$307 million, or nearly 62 percent, of total exports in 2000. Exports to second-ranked Mexico were \$65 million (13 percent). Other major markets, each with over \$10 million in exports, were Japan, the United Kingdom, and Malaysia.

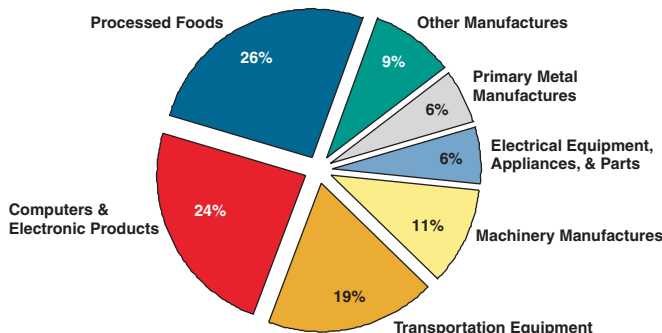
Not surprisingly, Canada and Mexico are also South Dakota's biggest growth markets, viewed in terms of dollar gains in exports. Exports to Canada rose from \$167 million in 1997 to \$307 million in 2000—an increase of \$140 million. Sales to Mexico grew by nearly \$54 million over the period, vaulting Mexico from tenth place to

second place among South Dakota's markets. The state also posted significant dollar gains in exports to Singapore, Argentina, China, Israel, and Spain.

Among South Dakota's top 25 export destinations, the fastest-growing, in percentage terms, are Argentina, Mexico, the United Arab Emirates, and Spain. Exports to each of these markets more than doubled from 1997 to 2000.

The state's leading manufactured export category is processed foods, which accounted for \$124 million, or 25 percent, of South Dakota's total merchandise exports in 2000. Other major manufactured exports were computers and electronic products

SOUTH DAKOTA EXPORTS A WIDE RANGE OF MANUFACTURES: \$476 MILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

(\$113 million in exports—23 percent of the state total) and transportation equipment (\$88 million—18 percent). Together, these three sectors accounted for 66 percent—two-thirds—of South Dakota’s total export sales in 2000.

Apart from exports of manufactures, South Dakota is also an important exporter of farm products—a fact not apparent from official U.S. export statistics because South Dakota’s agricultural exports are often sold indirectly, through wholesalers and other vendors located outside the state. The U.S. Department of Agriculture estimates that exports contributed, both directly and indirectly, about \$1 billion to the state’s farm cash receipts in 1999.

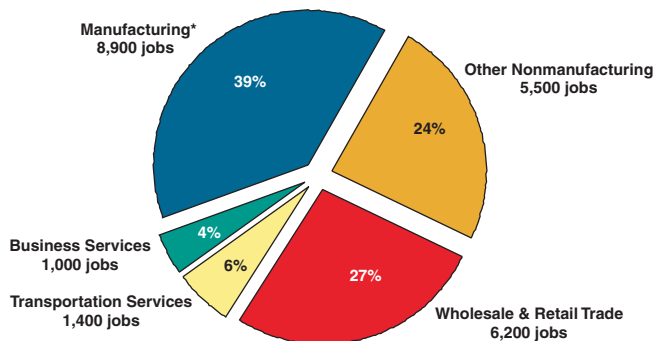
Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), South Dakota depended on manufactured exports for some 23,000 jobs. Export-supported jobs accounted for an estimated 7.0 percent of South Dakota’s total private sector employment.

Manufactured exports supported about 8,900 jobs in South Dakota’s manufacturing industries. This was 19.1

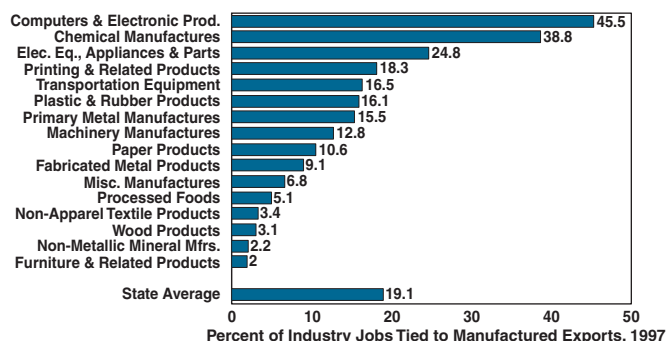
23,000 SOUTH DAKOTA JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes 400 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

ABOUT ONE-FIFTH OF MANUFACTURING JOBS IN SOUTH DAKOTA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 19.1 percent of the 46,500 manufacturing jobs in South Dakota were tied to manufactured exports—some 8,900 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

percent of the state’s manufacturing work force—roughly one of every five manufacturing jobs. An estimated 5,600 export-related jobs, or nearly two-thirds of the state total, were in the computer and electronic products sector. Another 700 export-sustained jobs were located in machinery manufactures.

Exports of manufactured goods also indirectly supported 14,100 jobs in the state’s nonmanufacturing industries—including 1,000 workers in the business services sector, 1,400 in transportation services, 6,200 in wholesale and retail trade, and 5,500 in other nonmanufacturing sectors such as agriculture and mining. All these industries directly and indirectly supply manufacturers with a wide variety of inputs needed to produce goods for export.

Exports Help Small Business

Exports have broadly benefited South Dakota businesses, both large and small. A total of 503 companies

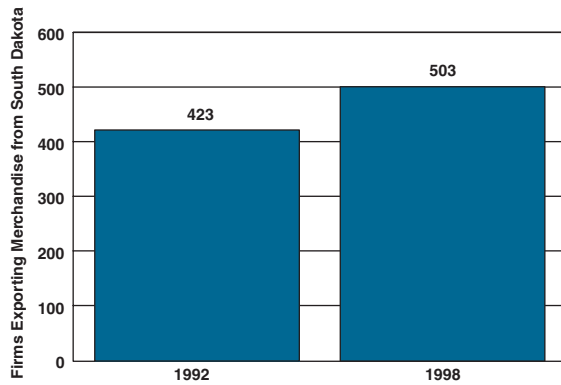
TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or “fast track”) is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

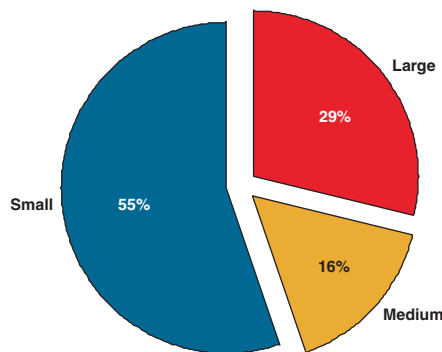
TPA preserves the ability of the United States to protect public health, safety, and the environment.

THE NUMBER OF COMPANIES EXPORTING FROM SOUTH DAKOTA ROSE 19 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

71 PERCENT OF SOUTH DAKOTA'S 503 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

exported from South Dakota locations in 1998. More than 71 percent of these companies, accounting for about 32 percent of the state's total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, about 55 percent of all South Dakota exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries.

Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

South Dakota Industries Can Gain From Trade Negotiations

South Dakota's exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit South Dakota's businesses across many industrial sectors.

Information technology. South Dakota's high-tech businesses are beneficiaries of the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in South Dakota, would likely see sales rise if remaining barriers on IT products were eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be

SOUTH DAKOTA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of South Dakota goods and services.

South Dakota exporters still face major trade barriers in such sectors as information technology, agricultural machinery, and metals.

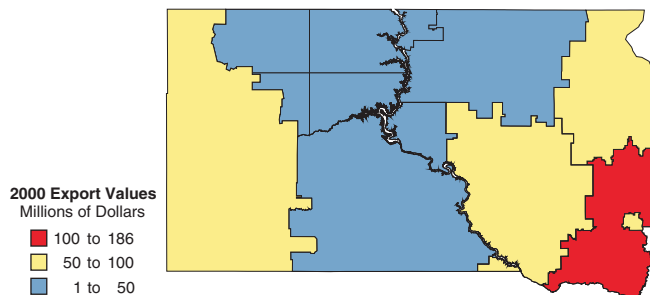
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

About 23,000 South Dakota jobs depend on exports of manufactured goods.

503 companies—including 358 small and medium-sized businesses—export from South Dakota.

EXPORTS ARE SOLD FROM ALL OVER SOUTH DAKOTA

South Dakota's Merchandise Exports by Three-Digit Zip Code, 2000



Note: South Dakota's total merchandise exports in 2000 were \$497 million.

Source: U.S. Department of Commerce, Exporter Location Series.

sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

Agricultural machinery. South Dakota exporters of agricultural machinery have reaped benefits and increased foreign sales as a result of tariff reductions agreed in past trade negotiations. Expanded markets in Asia and Latin America have contributed significantly to U.S. exports. However, high tariffs still constitute significant barriers in many countries that did not participate in the Uruguay Round “zero-for-zero” tariff agreement on agriculture machinery. For example, tariffs on agricultural machinery are as high as 21 percent in Argentina and 30 percent in India. Restrictive government procurement practices and discriminatory licensing and inspection requirements also hinder agricultural machinery exports.

Metals. Canada and Mexico are the largest markets for U.S. metal exports, which already benefit from duty-free access under NAFTA. However, tariff and nontariff barriers remain in other markets, such as the European Union, where the average tariff on nonferrous metals is twice as high as the average U.S. rate. South Dakota metal exporters also face numerous nontariff barriers, such as distribution restrictions.

Agriculture. South Dakota is an important producer and exporter of agricultural products. According to the U.S. Department of Agriculture, South Dakota's agricultural exports totaled \$1 billion in 1999 (including processed foods). Since 1991, the state's reliance on agricultural exports has risen from 21 percent to 29 percent as measured by export's share of farm cash receipts. South Dakota's top agricultural exports are soybeans and products, feed grains and products, wheat and products, live animals and red meats, and

sunflower seed and oil. South Dakota already benefits from past trade agreements. Under the Uruguay Round, Japan reduced its tariffs on soybean oil by 36 percent and its tariffs on sunflower oil by 50 percent. Korea is phasing in a 40 percent reduction on its sunflower oil tariffs by 2004. Under the Uruguay Round, limits were set on subsidized wheat exports, and Mexico eliminated import licensing for wheat and is phasing out tariffs under NAFTA. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports

in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to South Dakota

While exports generate clear benefits for the South Dakota economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in South Dakota, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in South Dakota with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.